

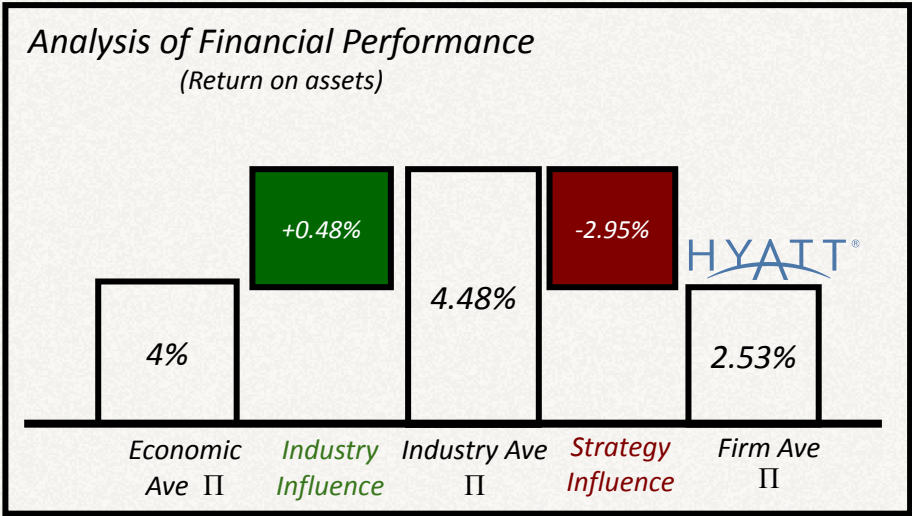


# ✦ HOTELS AND MOTELS INDUSTRY ✦ Hyatt Hotels Corporation

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# Firm Average Profitability Report

- ROA is a useful measure of profitability for the hotel industry because it accounts for asset utilization, provides a comprehensive view of profitability, can be used to compare performance across hotels, and helps evaluate investment decisions. For example, a hotel with a high ROA may have a better strategy for utilizing its assets to generate profits, such as optimizing room occupancy rates, controlling costs, and maintaining good quality standards.



Year	My Client Hyatt Hotels Corporation	Firm 1 Hilton Worldwide Holdings	Firm 2 Marriott International	Firm 3 Choice Hotels International	Firm 4 Accor	Average
2022	1.67%	6.53%	7.76%	17.05%	1.78%	6.96%
2021	-6.06%	-0.96%	1.63%	10.14%	-5.15%	-0.08%
2020	0.14%	-0.26%	1.29%	9.99%	-16.20%	-1.01%
2019	6.61%	5.76%	6.02%	17.99%	3.45%	7.97%
2018	10.29%	7.93%	7.08%	15.56%	2.04%	8.58%
Ave	2.53%	3.80%	4.76%	14.15%	-2.82%	4.48%

- The graph above, plot the profitability of the industry in comparison to the economy-wide average, ideally over 5 years



# The power of rival and substitute squeeze the profitability of Hotels and Motels Industry

## Threat of Entry

- **Threat of new entrants: Moderate**
- No significant legal or regulatory barriers
- The hotel industry is not capital-intensive, but it also need a lot of money to invest the asset
- However, incumbent has a significant advantage due to its size and scale, which provides economies of scale that smaller players cannot match.
- Incumbent's strong brand image and extensive loyalty program create a significant barrier to entry for new players

## Power of Supplier

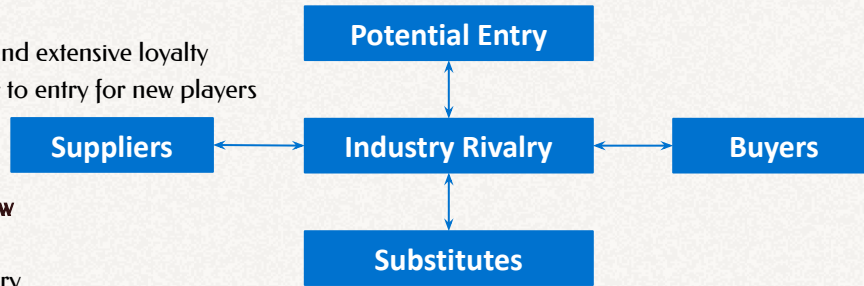
- **Bargaining power of suppliers: Low**
- Key Suppliers include: Food and beverage suppliers, linen and laundry suppliers, Cleaning and maintenance suppliers, Energy suppliers, Technology suppliers, Construction and renovation contractors
- For the large hotel in the world, they can leverage its size and scale to negotiate favorable contracts with suppliers.
- Many suppliers available in the market.
- Switching cost is low

## Extent of Rivalry

- **Competitive rivalry within the industry: High/Moderate**
- Concentration is low, many players vying for market share.
- Brand image, global scale, and extensive loyalty program help reduce the rival.
- The positioning and strategy of each hotel are different, leading to differentiation, so the rival power is reduced to a certain extent.

## Power of Buyers

- **Bargaining power of buyers: Moderate**
- Major types of buyers: Leisure travelers, Business travelers, Meeting and event planners, Group travel organizers, Travel agents and online travel agencies
- Customers have some bargaining power due to the large number of hotel options available to them.
- Brand image, global scale, and extensive loyalty program help to reduce customer bargaining power to some extent.
- Switching cost is high sometimes because customers who are part of loyalty program can earn rewards and redeem them for free stays or other benefits, they do not want to lose the point.



## Threat of Substitutes

- **Threat of substitute products or services: High/Moderate**
- Key Substitutes include: Home-sharing platforms such as Airbnb, VRBO, and HomeAway, Vacation rentals, Hostels and backpacker accommodations, Bed and breakfasts Timeshare resorts
- Buyer has a lot of other options.
- However, the switching cost is high sometimes because customers who are part of loyalty program can earn rewards and redeem them for free stays or other benefits, they do not want to lose the point.
- Brand image, global scale, and extensive loyalty program help to reduce substitute power.

## Overall

Overall, We think the hotel industry is profitability, but the threat of substitute accommodation options and rivalry within the industry pose significant challenges, so the profitability of hotel industry is not very high.

# Trends - Industry profit will decrease for next few years

## Accelerated Adoption of Technology and Digitalization

- **Industry Profit: Annual Growth 2018–2022: 4.48%**
- **Businesses Annual Growth 2018–2022: 2.53%**
- **70% of hotel executives** believed that technology-driven innovations would shape guest experiences in the next five years.
- Touchless technologies, mobile apps for check-in/check-out, AI-powered chatbots for customer service, and enhanced focus on hygiene and cleanliness protocols
- **Competitive Rivalry increases & Buyer power increase**
- Intense competition to adopt latest innovations
- Focus on operational efficiency and data-driven decisions
- Continuous investment in technology to stay relevant and adapt to changing customer expectations



# Strategy and market for companies in hotel industry

*Cost Leadership*

*Differentiation*

*Broad  
Market*

**Hilton**



\$436

HYATT®

Industry Average  
\$363

*Narrow  
Market*

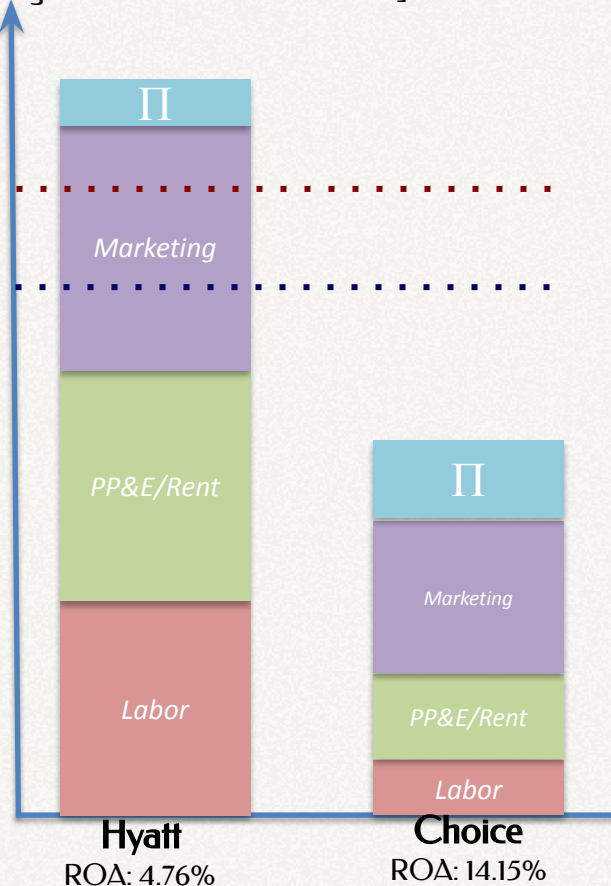


# Relative Cost Analysis

average price & cost per unit  
[one night of King room in Boston Downtown]

Price  
Avg=\$362.8  
Cost  
Avg=\$309.7

Property, plant,  
and equipment



Hyatt :

**Acquire** different type of hotel for different target markets (upscale extended stay brand )

Their dedication to providing a consistently high-quality guest experience means they spend a lot of money recruiting and **training** employee to best serve guests.

Hyatt is active on various social media platforms like Twitter, LinkedIn, Facebook, and Instagram. It also has collaborated with many bloggers and digital creators. In order to **increase awareness**, it organized a multi-million dollar campaign named **"Make the Most of Being Away"**.

Choice:

Almost 90 percent of Choice's domestic U.S. portfolio is in **suburban, small-town, or roadside locations**.

At the same time, hotels are not the reason for tourism. What hotels can do is to provide services to customers, add value to customers, and they are committed to providing customers with the services they expect. But to weather the **downturn**, they **laid off 20% of their workforce**.

Choice Hotels Marketing Director sees their main goal as transforming the company into a more **digital company**. So it created a website called **TravelTop6™** to drive traffic to its booking platform while gathering data on customer behaviour.



# Horizontal Scope: Acquisitions to enhance market power



- a. In 2006, Hyatt's **acquisition of the upscale extended stay brand** and franchise system of 21 Summerfield Suites branded hotels, and change name to **Hyatt House**
- b. It enhances their portfolio, which now includes nearly 750 hotels worldwide.

## BO Test - PASS

- More choice for consumer - **increase WTP**
- **Reduce cost**
  - Share marketing cost/training cost
  - Economies of scale/scope, like same cleaning and maintenance suppliers for all hotels

## Ownership Test - PASS

- Alternative: For Partnership, Hyatt will not share MK and customer information with others

# Vertical Scope: Enhance supply chain management



Provider of e-procurement Platform

- a. **E-BASED PROCUREMENT NETWORK FOR HOSPITALITY INDUSTRY**
- b. The Hyatt has the opportunity to develop their own technology to manage supply chain and reduce the supplier power.

## BO Test - PASS

- **Cost decrease:** Reduced pricing on products and services through **economies of scale**
- Simplify the purchasing process and drive further **savings** by providing automated order processing and fulfillment tracking, electronic auction capabilities and expansive search tools
- Control quality - **increase WTP**

## Ownership Test - PASS

- It is the best way to control supplier chain to reduce cost
- Alternative: If it is only a short-term contract, Hyatt cannot control the quality, and the supplier has a chance to increase the price



# + Non-market Strategy

## Asset-light Growth Strategies for Hotels After the Pandemic

### Externalities

- **Positive:** Asset-light growth lead to the growth and development of local businesses and economies, increasing employment opportunities and contributing to the overall **growth of the local tourism industry**.
- **Negative:** Asset-light growth helps Hyatt gain more franchised hotels. If **franchisees have irregularities or quality problems** in their operations, will **prevent consumers from getting the high-quality experience they deserve**.

# OIT&T

## ANALYSIS

O + Opportunity  
Increase company II

I + Interests  
Hyatt and franchisees hotels and management agreements hotels

T + Target  
Agencies, courts, public.

T + Tools  
Money, information, human capital.

# ✦ Hyatt Engages in Three A's of Global Strategy

## Aggregation

- "collaboration agreement" with Germany's Lindner Hotels that will add more than 30 hotels and 5,500 rooms across seven European countries to its portfolio, most under the JdV by Hyatt brand.
- The addition of five all-inclusive resorts in Bulgaria, which bring Hyatt's all-inclusive resorts under ALG brands into a third European country, joining locations in Spain and Greece.

## Adaption

Forming a joint venture with Kiraku to launch Atona, a new hospitality brand of hot springs ryokans in Japan, which increases Hyatt's luxury footprint and fills a unique opportunity to be the first international company to enter the ryokan space. Hyatt expects to open the first Atona-branded ryokans by 2025.



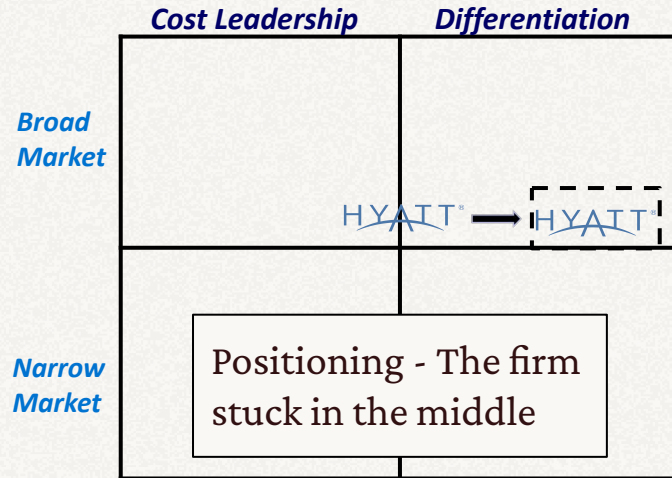


# Positioning and Revenue Diversification Challenges Facing By Hyatt



## KEY ISSUE #1

1. Hyatt's current positioning is not clear.



## KEY ISSUE #2

2. Hyatt is lack of diversified revenue streams.

The company has branches in 54 countries across North America, Asia, and Europe but collects 80 % of its revenue from the US. Only 19% comes from foreign countries.

# Driving Growth and Competitiveness: Strategies for Expanding Hyatt Hotels' Reach and Brand Value



## RECOMMENDATION #1

Moving upmarket through differentiation and optimizing services to increase profitability, building brand value and enhancing competitiveness, and optimizing the cost structure to reduce unnecessary expenses and increase efficiency.



## RECOMMENDATION #2

Expansion: Increasing the number of properties in the foreign regions so that revenue can come from all places.  
Brands Establishment: Expanding and launching brands in these foreign countries will help Hyatt Hotels to generate more income therefore increasing its productivity.



# Driving Long-Term Profitability and Market Share Growth: Results of Hyatt Hotels' Strategic Initiatives



## RESULT #1

In the short term, there may be a dip in profits due to the investment required to implement the changes. However, the changes will have a significant impact on the firm's profitability, with an upward trend in the long term.



## RESULT #2

Increased market share: Increasing its market share in the hotel industry which leads to higher revenues and profitability, as more guests would choose Hyatt hotels for their accommodations.  
Profit Boost: Increasing its revenue collection thus increasing profitability and developing brand name.



Any Questions?

